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State of Utah

DEPARTMENT OF NATURAL RESOURCES

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October 6, 2010

Larry Trimble
Uranium One Exploration USA, Inc.
11850 South Main, Suite 5A
Moab, Utah 84532

Subject: Status of Notice of Intention to Commence Large Mining Operations, Uranium One Exploration USA, Velvet Mine, M/037/0040, San Juan County, Utah

Dear Mr. Trimble:

The Division has completed a status review of the Velvet Notice of Intention to Commence Large Mining Operations based on correspondence received September 7, 2010. During an inspection on June 23, 2010, the issue of including the water monitoring holes in the Velvet Large Mine Permit was discussed, and the Division issued a letter on July 29, 2010, asking that you submit an amendment to include the water monitoring holes and shafts that were permitted under exploration notices E/037/0133, Velvet Extension, and E/037/0140, Velvet Shaft.

You subsequently wrote that the two shafts may already be included in the mine permit. Another letter said there were two water monitoring wells, one each from the Velvet (E/037/0144) and Velvet Extension exploration notices that were being retained as water monitoring wells.

Your statement that the shafts might already be included in the Velvet permit is correct, but the water monitoring wells, though included in the reclamation surety, are not part of the plan. The water monitoring wells are also included in the sureties for the Velvet and Velvet Extension exploration projects.

In 2008, it appeared Uranium One was on the verge of re-opening the mine, but the Division had asked for a revised mine plan before the mine was re-opened so the surety could be re-calculated. Because of the apparent urgency of re-opening the mine, the Division verbally agreed to allow Uranium One to open the mine without first submitting a new mine plan if the surety could be brought up to date with the best information available. The Division escalated the surety that was originally calculated in 1988 to 2013 dollars and added costs for reclaiming the two water monitoring wells which brought the total bond to \$118,853.00. Uranium One submitted this bond in the form of a letter of credit. It was agreed—also verbally—that Uranium One would submit a new, complete mine plan within a few months after opening the mine and that the Division would then re-calculate the reclamation surety amount.

Currently, the mine is reclaimed and being held in a suspended status with no immediate development planned. Since the reclamation bond assumed that the mine was developed according to mining plans submitted by Atlas Minerals, the Division and Uranium One subsequently agreed that no future mining or development will take place until a new mine plan is submitted. The bond currently



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being held more than covers the costs of plugging the water monitoring holes, the permanent closing of the vent shafts and access roads, and revegetation of the pad which has yet to be found adequate.

As discussed above, the two water monitoring holes are bonded both under the exploration notices and the Velvet large mine. The Division would be able to release the sureties for the exploration projects, with the possible exception of some revegetation money and contingent on approval from the Trust Lands Administration and the Bureau of Land Management, if they were included in the plan for the Velvet mine.

Current costs for reclaiming the water monitoring wells are shown below:

M/037/0040, Velvet Mine

Water monitoring well plugging

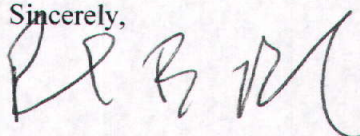
Disturbance	QTY	Length(FT)	Width(FT)	Sq. feet	Acres
Drill Pads	2	50	50	5000	0.114784206
Access Road	1	1,500	10	15000	0.344352617
Total				20000	0.459136823

Item	Qty	Unit Cost	Total Cost
1st Acre Disturbance	1	\$7,300.00	\$7,300.00
Add'l Acres Disturbance	0	\$4,300.00	\$0.00
Drill Hole Concrete Surface Plugs	2	\$210.00	\$420.00
Feet Wet Drill Hole Bentonite Plugs	1820	\$4.81	\$8,754.20
Mob/de-mob wet drill holes	1	\$10,000.00	\$10,000.00
TOTAL			\$26,474.20

Prior to re-opening the mine for mining operations, the Division requires that you submit and gain approval for an updated mining and reclamation plan.

Thank you for your cooperation with this update. If you have any questions regarding this letter, please contact me at (801) 538-5261 or Tom Munson at (801) 538-5321.

Sincerely,



Paul Baker
Minerals Program Manager

PBB:tm:eb

cc: Ted_mcdougall@blm.gov
wstokes@utah.gov

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